

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section

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Desk Audit – Charge Card Program 715 – Prairie View A&M University



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Executive Summary

Audit best practices indicate that data analytics has a critical role in uncovering fraud, waste, abuse and monitoring risks. The Comptroller's Fiscal Management Division, Expenditure Audit (EA) section uses data mining techniques to:

- Run statewide system reports to identify instances of possible fraud, waste, abuse and/or non-compliance.
- Follow up on any instances found by performing desk audits.

The desk audits are conducted in accordance with Texas Government Code, Section 403.011(13) and assist EA with the annual risk assessment for the post-payment audit process.

In this instance, auditors conducted desk audits of certain agencies' activities based on ad hoc reports from the Uniform Statewide Accounting System (USAS) and provided by the Citibank Charge Card Program. These desk audits help determine if state agencies and institutions of higher education have adequate monitoring controls over the purchase and travel-card payment process, preventing rebate losses from the Citibank Charge Card Program.

Prairie View A&M University (University) was identified as an agency with a rebate loss/charged-off amount of \$102,061.39 for the period Sept. 1, 2010 through Aug. 31, 2016.

In a letter dated Aug. 11, 2017, auditors requested the University provide its written policies and procedures relating to use and monitoring of purchase and travel cards. Auditors also requested that the University indicate if:

- Cardholders with charged-off accounts are still employed with the agency and still use the assigned purchase/travel card.
- Account balances owed to Citibank were paid by the agency or by the cardholders.

The detailed results of the review of the University's policies, procedures and supporting documentation are described in this report's Detailed Issues and Findings, and cover the following issues:

- Payments do not always comply with contract requirements.
- Policies and procedures do not address monitoring credit card payments.
- [Citibank Charge Card Program: Online Program Tools](#) were not used to monitor credit card usage and manage the program.
- Rebate losses were not reimbursed to the state of Texas.

Detailed Issues and Findings

The University provided the audit response and supporting documentation. Below is a summary of the review performed on the University's policies, procedures and supporting documentation:

The University's outstanding balances totaling \$102,061.39 are shown to have been settled with Citibank through an offset against rebates that the state of Texas would have received from Citibank. The University provided auditors with a report showing that:

- Of the 73 individual cardholders with charged-off account balances, 32 are still employed with the University; 41 out of the 73 have terminated.
- Of the 32 individuals still employed, 11 accounts are in collections and 21 accounts have been paid by the cardholder.
- Of the 41 individuals who had terminated, 16 accounts are in collections and 25 accounts have been paid by the cardholder.
- All 73 accounts have the card status of "inactive."

Based on the auditors' review of the University's response, it is unclear when the University deactivated the cards of the 32 individuals still employed. For all 73 accounts, the University did not explain why the cards were not canceled between 2012 and 2015 in compliance with [34 Texas Administrative Code Section 20.413\(d\)\(2\)](#). If the cards were not cancelled on or before the employees' termination date, and the terminated individual continued to use the state-issued card and accumulated additional unpaid balances, the University might incur additional rebate losses.

The University staff indicated in the audit response that they have not been successful in verifying card balances despite speaking directly with Citibank staff. The University provided a report that appeared to have been run sometime in September 2017 and shows balances as stated by Citibank different from the charged-off balances as stated by the Comptroller's office in the initial report dated Aug. 31, 2016.

For the 46 accounts notated as "paid by cardholder," it is unclear to auditors whether the individual cardholders reimbursed the University for the charged-off amounts in their entirety, and when those balances were paid.

Although some of these amounts were reported to have been paid by the cardholders, they were not paid timely and therefore were considered delinquent at the time the rebate was calculated. According to the Citibank contract, unpaid balances and their associated rebate percentage will be deducted from the rebate amount paid by Citibank. An individually billed account is considered delinquent if payment is 60 days past due.

Travel Cards Policy

The University's corporate credit card policy includes a monitoring section, which states that the corporate credit card should only be used for official University travel expenses, and that repeated unauthorized purchases will ultimately result in the card being canceled. The Texas A&M University System's policy on state credit cards similarly states that the individual employee is solely responsible for payment of charges on an individual card, and that the member university reserves the right to withhold or terminate a member-issued card at any time. Auditors noted that neither policy includes monitoring procedures to ensure payment, and the timeliness of payment, of outstanding credit card balances.

Furthermore, the University's audit response made a distinction between "corporate liability cards" versus "individual liability cards," indicating that it has not been the University's practice to manage individual liability cards, as the cardholder agreement is between Citibank and the cardholder. The audit response also asserted that:

- Cardholders are required to turn in University-issued cards when transferring departments or separating from the University.
- Cards are deactivated by the travel and expense manager at the time of transfer or termination; Citibank is also notified.

Procurement Cards Policy

The Texas A&M University System's policy on state credit cards applies to procurement cards as well. The University did not have any charge-off on procurement card accounts (all charged-off account balances were on travel cards).

Upcoming Changes

In the audit response, the University asserted that it is presently implementing a plan to transition employees with personal liability cards to corporate liability cards, which are consistently monitored by University staff. Auditors reviewed the University's corporate travel-card management process as asserted in the audit response, and noted the following key controls:

- Cardholders are required to submit travel expense reports, with corresponding receipts attached, for departmental approval.
- The Travel and Expense Office reviews for allowable and unallowable charges.
- Once reports are approved, they are released for account processing and payment to Citibank.

Auditors concluded that these controls over corporate liability cards are adequately designed to ensure payment, and the timeliness of payment, of outstanding account balances to prevent rebate losses from the Citibank Charge Card Program.

Insufficient Monitoring Controls

Finding

The University did not have sufficient monitoring controls in place to prevent rebate losses from the Citibank Charge Card Program. The University incurred a rebate loss/charged-off amount of \$102,061.39 for the period Sept. 1, 2010 through Aug. 31, 2016.

Recommendation/Requirement

- The University must ensure payments to Citibank comply with the state of Texas and Citibank Contract No. 946-M2, and any future contracts.
- The University should create or clarify policies and procedures to monitor state of Texas travel charge cards, and ensure that expenses are paid and paid timely according to the contract terms, thereby eliminating rebate loss on the payment card program. For an example, see the Comptroller Statewide Procurement Division's [Statewide Travel Charge Card Policy and Individual Bill Account Cardholder Agreement](#).
- The University should consider utilizing the [Citibank Charge Card Program: Program Audit Tool](#) to frequently and routinely monitor cardholder usage, and help ensure compliance. This tool flags card activity when it exceeds pre-set program parameters.
- The University should continue its current practice of pursuing collection efforts on outstanding/charged-off accounts. The University must follow up on those accounts currently in collections, and
- The University must reimburse unappropriated general revenue for rebate losses in the amount of \$102,061.39, to the extent possible.

Auditors acknowledge that, if the University transitions all employees with personal liability cards to corporate liability cards, the existing key controls over corporate liability cards would substantially accomplish some of the requirements listed above.

University Response

- *Management in the Travel and Expense Office is now monitoring remaining personal liability travel cards to ensure contract compliance to include timely payment of charges.*
- *University Travel Card procedures have been updated to clarify policies and procedures to monitor state of Texas travel charge cards. In an effort to prevent further rebate losses, charge cards with delinquent balances of 30 to 60 days past due have been suspended. Notifications have been sent to cardholders to apprise them of University/ state charge card guidelines, and the necessity for the cardholder to make immediate payment to Citibank to clear delinquent account balances.*

- *Some of the personal liability cards were successfully transitioned to corporate liability cards. The card replacement request for remaining personal liability cards has been submitted to Citibank, and the final transition of cards is expected to be complete by July 15, 2018.*
- *The University will use the Citibank Charge Card Program: Program Audit Tool for monitoring and to further ensure compliance of charge card usage.*
- *The University agrees with the state rebate-loss amount of \$102,061.39. Payment to the State Comptroller is in process and can be expected within five business days of this response.*
- *The University will continue collection efforts with individuals who have charged-off accounts and will place the individuals on state hold until each respective account is settled.*

Appendices



Appendix 1 — Desk Audit Process Overview

Desk audits are conducted by the Expenditure Audit (EA) section of the Comptroller's Statewide Fiscal Services Department within the Fiscal Management Division in accordance with Texas Government Code, Section 403.011(13).

Audit objectives

Desk audits use data mining techniques and reports from statewide systems to:

- Identify instances of possible fraud, waste, abuse and/or noncompliance.
- Follow up on any instances found by performing desk audits.

Comptroller's office responsibilities/supporting statute

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher in accordance with Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis in accordance with Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Methodology

1. Run ad hoc reports from USAS and Citibank.
2. Use one or more of the following audit criteria:
 - [State of Texas Charge Card Program](#)
 - [State of Texas Procurement and Contract Management Guide](#), Commercial Charge Card section
 - [Procurement Rules](#)
 - [Travel Policies](#)

Fieldwork

For each entity listed on the ad hoc report, auditors must perform the following:

1. Review delinquency reports.
2. Obtain card transactions for delinquent accounts. Have agency determine:
 - a. Is cardholder still employed with the agency or another state agency?
 - b. Did cardholder pay account balance?
 - c. Review cardholder transactions: Expenses travel-related or personal?
Expenses reimbursed?
3. Obtain and review the agency's written policies and procedures to gain understanding of how the agency issues, uses and monitors payment cards.
 - a. Did agency cardholder agreements exist?
 - b. Does the agency have monitoring procedures for cardholder delinquency?
 - c. If so, what are the procedures? Were procedures followed?

Reporting

The audit findings are reported formally to the audited agency in the form of a report. The audit report includes recommendations and requirements for implementing or improving preventive controls that help reduce associated risks.